

# NOTES TO FINANCIAL STATEMENTS

## SEPTEMBER 30, 1997

### Note 1 - General

#### Reporting Entity

Miami-Dade County (the "County") is an instrumentality of the State of Florida established by an amendment to the Florida State Constitution adopted May 21, 1957 as the Dade County Home Rule Charter, to carry on a centralized government. The Mayor, an elected official, serves as head of the County government and as the presiding officer of the County Commissioners (the "Commissioners") with the authority to designate another member of the Commission to serve as presiding officer. The Commission, comprised of thirteen elected members, is responsible for the legislative and fiscal control of the County. The County Manager is responsible for the administrative and fiscal control of all County departments through the administration of directives and policies established by the Commission. The Mayor has the authority to appoint and remove the County Manager subject to Commission approval. The Mayor has veto authority over any legislative, quasi-judicial, zoning master plan or land use decision of the Commission, including the budget or any particular component contained therein which is approved by the Commission. The Commission may override a veto with a two-thirds vote of the Commissioners present.

The financial reporting entity, under which the financial statements are prepared include all the organizations, activities, functions, and component units for which the County (Primary Government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's Board, and either (1) the County's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the County.

Component units are legally separate organizations for which the primary government is financially accountable or organizations which should be included in the County's financial statements because of the nature and significance of their relationship with the primary government. Component units are included in the reporting entity either as blended or as discretely presented component units. All funds/departments are regarded as one legal entity, therefore, the financial position and results of operations of the funds/departments are reported as part of the primary government.

#### Basis of Presentation

The County records its financial transactions in numerous individual funds and account groups. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts which is segregated for the purpose of carrying on specific activities or attaining certain objectives. All of the

financial information included herein is presented on the basis of a fiscal year ended September 30, 1997.

The County's reporting structure reflects three fund types and two account groups as follows.

#### Governmental Fund Types

Governmental Funds are those which are used to account for most general governmental functions of the County. The measurement focus of these Funds is based upon determination of changes in financial position or the financial flow measurement focus, rather than upon net income determination. Only current assets and current liabilities are generally included on their balance sheets. Their operating statements present sources (revenues and other financing sources) and uses (expenditures and other financing uses) of available, spendable resources during the period.

The following are the County's Governmental Fund Types:

**General Fund** - used to account for the general operations of the County and all transactions which are not accounted for in other funds or account groups.

**Special Revenue Funds** - used to account for revenues from specific taxes or other revenue sources which are designated to finance particular functions or activities in accordance with administrative requirements.

**Debt Service Funds** - used to account for the payment of principal and interest on all outstanding long-term obligations except those payable from Proprietary Funds.

**Capital Projects Funds** - used to account for resources segregated for the acquisition or construction of designated fixed assets except those financed by Enterprise Funds.

#### Proprietary Fund Types

Proprietary Funds are used to account for County operations which are similar to those often found in the private sector and to account for risk management activities. The measurement focus of these Funds is the determination of net income, through matching revenues earned with the expenses incurred to generate such revenues, or the capital maintenance measurement focus. All assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (total assets less total liabilities) is segregated into contributed capital and retained earnings (deficit) components.

The two proprietary fund types are reported as enterprise funds and internal service funds. Enterprise Funds account for operations where goods or services are provided to the general public. Internal Service Funds account for operations where goods or services are provided by one department or unit to other departments or units of the departmental agency.

The following are the County's Proprietary Funds:

- Miami-Dade County Transit Agency, (the "Transit Agency").
- Miami-Dade County Department of Solid Waste Management, ("Solid Waste Management").
- Miami-Dade County Seaport Department, (the "Seaport").
- Miami-Dade County Aviation Department, (the "Aviation Department").
- Miami-Dade Water and Sewer Department, ("Water and Sewer").
- Public Health Trust of Dade County, Florida, (the "Public Health Trust").
- Miami-Dade County Rickenbacker Causeway, (the "Rickenbacker Causeway").
- Miami-Dade County Vizcaya Art Museum, (the "Vizcaya Art Museum").
- Miami-Dade County Housing Agency / Public Housing Division, ("Housing Agency").
- Self Insurance Internal Service Fund.

#### Fiduciary Fund Type:

**Trust and Agency Funds** - used to account for assets held in a trustee capacity or as an agent for other funds, governmental units and others. All County trust funds are of an expendable nature. The measurement focus for the Expendable Trust Funds are the same as for Governmental Funds, while Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

#### Account Groups:

The two account groups in this financial report are used to provide accounting control and accountability for the County's general fixed assets and general long-term obligations. These two account groups are:

**General Fixed Assets** - used to account for the general fixed assets of the County other than those of the Enterprise Funds.

**General Long-term Obligations** - used to account for the long-term obligations of the County, with the exception of revenue bonds payable from specified revenues of various Enterprise Funds.

### **Note 2 - Summary of Significant Accounting Policies**

The following is a summary of the County's significant accounting policies presented to assist the reader in understanding the financial statements.

#### Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures or expenses are recognized in the accounts and

reported in the financial statements, regardless of the measurement focus applied.

All Governmental Funds, Expendable Trust Funds and Agency Funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., when both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Property tax revenues, intergovernmental revenues and interest income are the significant revenue sources considered susceptible to accrual. Current and prior year property taxes billed but uncollected as of the end of the fiscal year are reflected in the accompanying financial statements as delinquent taxes receivable with an offsetting allowance account, as these amounts are not considered to be available to finance current operations. Delinquent taxes are recognized as revenue during the fiscal year in which they are collected. Expenditures are generally recognized when the related liability is incurred, except for principal and interest on long-term debt and accumulated vacation and sick pay benefits.

Resources from grants, included in the Special Revenue Funds and certain Capital Project Funds, are recognized as revenues to the extent of expenditures made under the provisions of the grants. Funds received before the revenue recognition criteria have been met are reported as deferred revenues.

The Proprietary Fund Types use the accrual basis of accounting whereby revenues are recorded when earned and expenses are recorded when obligations are incurred or when benefits are received. Revenue for the Public Health Trust is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered.

#### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

#### Application of FASB Standards

Governmental Accounting Standard Board ("GASB") Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting*, offers the option of following all Financial Accounting Standards Board ("FASB") standards issued after November 30, 1989, unless the latter conflict with or contradict GASB pronouncements, or not following FASB standards issued after such date. The County elected the option to follow all applicable GASB and applicable FASB pronouncements issued on or before November 30, 1989.

### *Reclassification and Total (Memorandum) Columns*

Information presented for fiscal year 1996 is for comparative purposes only and certain balances have been reclassified to conform to the 1997 presentation. The amounts reflected in the total columns of the accompanying financial statements are not comparable to a consolidation and are captioned "memorandum only" as they do not present financial position, results of operations or changes in cash flows in conformity with generally accepted accounting principles. Interfund eliminations have not been made in the aggregation of this data.

### *Bond Discount and Issuance Costs*

Discounts on revenue bonds of the Aviation Department are amortized using the bonds outstanding method over the life of the bonds. Discounts on all other revenue bonds are amortized over the life of the related bond issues, using the interest method or the straight line method if it does not differ materially from the interest method. Bond issuance costs are capitalized and amortized using the straight line method over the life of the bonds.

### *Refunding of Debt*

For current and advance refundings resulting in the defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and amortized as a component of interest expense using the effective interest method over the remaining life of the old debt or the life of the new debt, whichever is shorter. The difference in these amounts, to the extent unamortized, is accounted for as an element of the carrying cost of the related debt.

### *Advances Receivable*

Advances receivable in the Capital Projects Funds represent loans to Enterprise Funds for the purchase of certain personal property. These loans are payable to the Capital Project Funds over a 20 year period at approximately 7% per annum. These loans are offset by a fund balance reserve which indicates that they are not available to finance current operations.

### *Budget Requirements*

State of Florida Statutes require that all county governments prepare, approve, adopt and execute an annual budget for such funds as may be required by law or by sound financial practices. Every September the County holds two public hearings and adopts the annual budgets for substantially all County funds through the enactment of Budget Ordinances effective for the ensuing fiscal year. The County's budgeting process is based on estimates of revenues and expenditures. The budgets so adopted are either appropriated or non-appropriated in nature. Funds that have appropriated budgets cannot legally exceed their appropriations. The budgetary control over funds that have non-appropriated budgets are dependent on other

enabling ordinances, such as Bond Ordinances, in which expenditure authority extends many years into the future.

Budgets are monitored at varying levels of classification detail. However, expenditures cannot legally exceed total appropriations at the individual fund/department level. Amendments and supplements to the budget at fund/department level require County of County Commissioners approval. Department directors are authorized to make transfers of appropriations within their fund/department. Transfers of appropriations between funds/departments require the approval of the County of County Commissioners. Beginning fund balances, available for financing current appropriations, are considered in the budgetary process but are not included in the financial statements of the Governmental Fund Types as budgeted revenue. All appropriations within the Governmental Fund Types lapse at year end. Budget to actual comparisons are reflected in the financial statements of the General Fund, Special Revenue and Debt Service Funds for which the County has legally adopted annual appropriated budgets. Project-length financial plans (non-appropriated budgets) are adopted for all Capital Projects Funds.

Budgets are prepared on the same basis of accounting as required for Governmental Fund Types consistent with generally accepted accounting principles and are presented in the financial statements inclusive of all amendments to the original appropriation. The amounts shown in the financial statements reflect the original budgeted amounts and all amendments and supplements approved through December 1997. For the fiscal year, there were two supplemental appropriation ordinances adopted on July 22, 1997 and December 2, 1997, increasing total appropriations by \$52,045,000.

### *Cash, Cash Equivalents and Investments*

Cash and cash equivalents include amounts in demand deposits as well as short-term investments with maturity dates, within three months of the dates acquired by the County.

Investments are carried at cost plus accrued interest, except for investments in the Deferred Compensation Fund which are reported at market value.

### *Retained Deficit*

As of September 30, 1997, the Transit Agency, Solid Waste Management, Seaport, Enterprise Funds and the Self Insurance Internal Service Fund had retained deficit fund equity balances totaling \$89,960,000, \$41,953,000, \$10,254,000 and \$44,058,000 respectively.

The Transit Agency deficit is the result of non-reimbursable depreciation and continued operating deficit. See Note 3, *Cash Deficits*, for further discussion of management's intent to eliminate the operating deficit. The deficit in the Solid Waste Management fund is a result of the assumption of \$90 million of closure and postclosure care responsibilities for two inactive landfills. The deficit will be offset through future operations

and Utility Service Fees. The Internal Service fund deficit is a result of the incurred but not reported (IBNR) liability. The County currently partially funds IBNR liability and has steadily increased such coverage in recent years. It is the County's intent to continue increasing its coverage of IBNR in future years as funding flexibility permits.

### Employee Benefits

The County's policy is to permit employees to accumulate earned but unused vacation and sick pay benefits, which will be paid to employees upon separation from service. In the Governmental Fund Types the cost of vacation and sick pay benefits is recognized when payments are made to employees. A long-term liability of \$185,838,000 for accrued vacation and sick pay benefits at September 30, 1997, has been recorded in the General Long-term Obligations Account Group, representing the County's commitment to fund such costs from future operations (see Note 8). The Proprietary Fund Types accrue vacation and sick pay benefits in the period they are earned.

The County accounts for compensated absences by accruing a liability for employees' compensation for future absences according to the guidelines of GASB Statement No. 16, *Accounting for Compensated Absences*.

The County offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all County employees, permits them to defer a portion of their salary to future years. The Plan, which is administered by independent contractors, is accounted for as a separate Deferred Compensation Agency Fund. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the County, subject only to the claims of the County's general creditors. Participants' rights under the Plan are equal to those of general creditors of the County in an amount equal to the fair value of the deferred account for each participant. The fair value of the Plan assets as of September 30, 1997 was \$396,242,000.

It is the opinion of the County's legal counsel that the County has no liability for losses under the Plan but does have the duty of due care that would be required of an ordinary prudent investor. The County believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

### Encumbrances

Appropriations of governmental funds are encumbered upon issuance of purchase orders, contracts or other forms of legal commitments. Encumbrances at year end do not constitute expenditures or liabilities. They are accounted for as a reservation of fund balance in the year the commitment is made.

While appropriations lapse at the end of the fiscal year, the succeeding year's budget ordinance provides for the reappropriation of year end encumbrances.

### Grants from Government Agencies

Certain operating grants under various Federal and State programs are included in the Special Revenue Funds. Grant monies received are disbursed by these funds for goods and services as prescribed under the respective grant program or are transferred to other County funds for ultimate distribution under the terms of the grants. These programs are dependent on the continued financial assistance of the State and Federal governments.

Grants to Enterprise Funds which are designated for use in acquiring property or equipment are recorded as equity contributions in the fund benefited. Those grants designated as operating subsidies are recorded as non-operating revenue in the respective funds upon the County's compliance with the eligibility requirements related to the grant.

Grants received as reimbursements for specific purposes are recognized when the corresponding expense or expenditure is incurred. Grants received but not earned are recorded as deferred revenues.

### Interest

General fixed assets of the County do not reflect capitalized interest cost. Interest in the Enterprise Funds is charged to expense as incurred except for interest expense related to borrowings used for construction projects, which is capitalized net of interest earned on construction funds borrowed. Interest capitalization ceases when the construction project is substantially complete. Net interest capitalized during fiscal 1997 amounted to \$41,746,000.

### Inventories

Inventories, consisting principally of materials and supplies held for use or consumption, are recorded at cost for Governmental Fund Types and lower of cost (first-in, first-out method) or market for the Enterprise Funds, except for the Transit Agency, Water and Sewer and the Public Health Trust. These Enterprise Funds use the average cost method.

Inventories reported for Governmental Fund Types are recorded under the purchase method of inventory accounting, and are therefore equally offset by a fund balance reserve which indicates that they do not constitute available spendable resources for appropriation.

### Receivables

Special Revenue Fund mortgages receivables arise from the County's housing development programs which provide low income housing assistance to eligible applicants. At September 30, 1997, an allowance of \$34,998,089 has been established

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to reflect the estimated uncollectable portion of the outstanding mortgages receivable.

On April 30, 1997, the County initiated a \$5,000,000 disbursement from the General Fund pooled cash to Pan American World Airways, Inc. (Pan Am) to induce Pan Am to locate its worldwide headquarters and operations facilities in the County. The loan was made to Pan Am in anticipation of the County receiving a United States Department of Housing and Urban Development (U.S. HUD) loan. Pan Am agreed to repay the advance and offered as security lienable assets that could be converted to \$5,000,000 by the County in the event that Pan Am did not make the required repayment. In February 1998, Pan Am filed for bankruptcy. As of September 30, 1997, the County has recorded an allowance for doubtful accounts in the amount of \$2,130,000 which represents the difference between the cash advance and the estimated value of the real property used as collateral.

Accounts receivable of the County are presented in the financial statements, net of an allowance for uncollectible accounts of approximately \$148,937,000, which is related to Enterprise Fund operations.

### Fixed Assets, Depreciation and Depletion

Fixed assets are recorded at cost, except for contributed fixed assets which are recorded at fair value at the date of contribution. Expenditures for maintenance, repairs, and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as fixed asset additions.

The fixed assets of the Governmental Fund Types are recorded in the General Fixed Assets Account Group. Improvements, other than to buildings, and infrastructure assets are not reported since these assets are immovable and of value only to the County. Depreciation is not provided on assets reflected in the General Fixed Assets Account Group.

The fixed assets of the Proprietary Fund Types is recorded in the respective Enterprise Funds' accounts. Depreciation expense is provided on fixed assets recorded in the Enterprise Funds using the straight-line method over the estimated useful lives of the assets which range as follows:

Buildings and building improvements	5-50 years
Utility plant and systems	5-100 years
Roads, bridges and other improvements	10-50 years
Furniture, fixtures, machinery and equipment	3-30 years

Depreciation expense applicable to the Transit Agency's, Solid Waste Management's and Water and Sewer's assets acquired with contributed resources is transferred from retained earnings to the related capital contributions account. These contributed resources were grants, entitlements, or shared revenues which were externally restricted for the purpose of acquiring fixed assets. Depreciation is not provided on

art objects since they are considered to have no determinable useful life.

When fixed assets are disposed, the related costs and accumulated depreciation are removed from the accounts, with gains or losses on disposition being reflected in operations.

The Solid Waste Management records depletion on landfill sites and the estimated cost of permanently capping and maintaining such landfills on the basis of capacity used.

### Property Taxes

Property values are assessed as of January 1 of each year, at which time taxes become an enforceable lien on property. Tax bills are mailed in October and are payable upon receipt with discounts at the rate of 4% if paid in November, decreasing by 1% per month with no discount available if paid in the month of March. Taxes become delinquent on April 1 of the year following the year of assessment and State law provides for enforcement of collection of property taxes by the sale of interest-bearing tax certificates and the seizure of personal property to satisfy unpaid property taxes. The procedures result in the collection of essentially all taxes prior to June 30 of the year following the year of assessment.

No accrual for the property tax levy becoming due in November 1997 is included in the accompanying financial statements since the legal right to receive these taxes occurs on November 1, 1997, and such taxes are collected to finance expenditures of the fiscal year ending September 30, 1998.

### Impact Fees

Assets held in trust in the Capital Projects Funds of \$72,616,000 represents the impact fees collected from developers for public infrastructure and/or capital improvements that may be refunded upon request, if the funds are not expended or encumbered within a specific time period.

### Restricted Assets and Reserves

Specific Enterprise Fund assets are required to be segregated as to their use and are therefore identified as restricted assets. Assets are restricted pursuant to donor specifications and restrictions arising from various bond indenture agreements. The indenture agreements further require that, for certain restricted assets, offsetting reserves be established by charges to retained earnings (see Note 10).

### Special Assessment Debt

Special assessment debt is payable solely from special assessments collected by the County as agent for property owners and does not constitute an obligation of the County. At September 30, 1997, such bonds outstanding aggregated to \$18,930,000 and, accordingly, are not included in the accompanying financial statements.

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## Restatements and Accounting Changes

The schedule below details restatements made to the enterprise funds fund equity to give the effect of certain accounting changes (in thousands):

	<u>Enterprise Funds</u>		Total
	Retained Earnings	Contributed Capital	Fund Equity
September 30, 1996 fund equity as previously reported	\$1,119,897	\$3,103,930	\$4,223,827
<b>Transit Agency -</b>			
Change in accounting to fixed assets capitalization policy		(16,854)	(16,854)
<b>Seaport -</b>			
To correct capital contributions received from federal government	(8,298)	(7,250)	(15,548)
<b>Rickenbacker Causeway -</b> Effect of settlement of prior year lawsuit	(2,331)		(2,331)
October 1, 1996 fund equity as restated	<u>\$1,109,268</u>	<u>\$3,079,826</u>	<u>\$4,189,094</u>

## **Note 3 - Cash, Cash Equivalents and Investments**

The County pools substantially all cash, cash equivalents and investments, except for separate cash and investment accounts which are maintained in accordance with legal restrictions.

Each fund's equity share of the total pooled cash, cash equivalents and investments is included on the accompanying financial statements under the caption "Cash and cash equivalents" and "Investments."

At September 30, 1997, the County's cash and cash equivalents and investments included the following (in thousands):

Cash . . . . .	\$ 34,352
Certificates of deposit . . . . .	<u>58,023</u>
Total cash and interest-bearing deposits . . .	92,375
Investments (including cash equivalents) . .	<u>3,016,327</u>
Total cash and cash equivalents and investments . . . . .	<u>\$3,108,702</u>

All cash deposits are held in qualified public depositories pursuant to State of Florida Statutes Chapter 280, "Florida Security for Public Deposits Act." Under the Act, all qualified public depositories are required to pledge eligible collateral

having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The pledging level may range from 50% to 125% depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any losses to public depositories are covered by applicable deposit insurance, sale of securities pledged as collateral and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

## Cash Deficits

As of September 30, 1997, the Transit Agency and Seaport Enterprise Funds, and the Special Revenue Hurricane Restoration Fund had cash deficit balances of \$45,755,000, \$42,357,000, and \$31,698,000 respectively, totaling \$118,831,000. It is the County's practice to report cash deficits with a corresponding interfund receivable/payable in the appropriate fund. These cash deficits have been funded with cash advances from the County's General Fund. As of September 30, 1997, the Transit Agency is pending reimbursement from grantor agencies for the cash deficit in the capital projects of \$21,200,000, the remaining cash deficit of \$24,555,000 is attributable to operating expenditures in excess of cash receipts. Management is in the process of developing and implementing a plan to eliminate the cash deficit through timely collection of grants receivables, real estate disposals and other one time funding sources. The Seaport Department's deficit includes deficit balance in both the Seaport General Fund of \$24,120,000 and the Seaport Construction Fund of \$18,237,000. Of the \$42,357,000 deficit, \$7 million represents a Construction Fund advance to be repaid upon project completion from Army Corp of Engineers funding and \$7 million which is the subject of ongoing litigation, with the balance of the deficit to be repaid to the County from available Seaport revenues annually until liquidated. The cash deficit in the Hurricane Restoration Fund is due primarily to the recording of hurricane related expenditures prior to receiving reimbursement from the Federal Emergency Management Agency ("FEMA"). As disclosed in Note 13, FEMA implemented an expedited closeout during the first quarter of 1998 reducing the cash deficit.

## Investments

Investments are made in accordance with the provisions of Chapter 125.31 (1) Florida Statutes, and County Ordinance 84-47, "Investment and Reinvestment of Surplus Funds."

The County is authorized to invest in obligations of the U.S. Government, its agencies and instrumentalities, commercial paper, banker's acceptances, repurchase agreements, certificates of deposit, and the Local Government Surplus Funds Trust Fund.

The County's investments are categorized to provide an indication of the level of risk assumed by the County at year end. Category 1 includes investments that are insured or regis-

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tered or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the County's

name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in the County's name.

The tabular presentation which follows presents the County's investments (including cash equivalents) in terms of risk assumed at September 30, 1997 (in thousands):

	Category			Carrying Amount	Market Value
	1	2	3		
U.S. Government and Agency Securities . . . .	\$ 811,497	\$127,761	\$ 90,561	\$1,029,819	\$1,030,416
Repurchase Agreements . . . . .	9,013	17,124	51,621	77,758	77,758
Commercial Paper . . . . .	809,714	92,994		902,708	902,831
Bankers Acceptance . . . . .	154,131	1,015		155,146	155,158
	<u>\$1,784,355</u>	<u>\$238,894</u>	<u>\$142,182</u>	<u>\$2,165,431</u>	<u>\$2,166,163</u>
Investments in Deferred Compensation Fund .				396,242	396,242
Investments held by State . . . . .				454,654	454,654
Total Investments (including cash equivalents) . . . . .				<u>\$3,016,327</u>	<u>\$3,017,059</u>

### **Note 4 - Contributed Capital**

During the year contributed capital increased (decreased) by the following amounts (in thousands):

	Transit Agency (as restated)	Solid Waste Management	Seaport (as restated)	Aviation Department	Water and Sewer	Public Health Trust	Rickenbacker Causeway	Vizcaya Art Museum	Housing Agency Public Housing Division	Total Enterprise Funds
Contributions at										
October 1, 1996 . . . .	\$1,392,740	\$85,170	\$52,068	\$355,275	\$883,937	\$283,264	\$2,161	\$7,120	\$18,091	\$3,079,826
Grants . . . . .	42,147		1,673	28,134		108				72,062
Donations . . . . .										
Developers . . . . .					22,960					22,960
Customers . . . . .					2,389					2,389
Connection Charges . . .					20,249					20,249
Other . . . . .				7,525	1,850	23,005				32,380
Current Year Deprecia- tion . . . . .	(42,796)	(4,857)			(25,464)					(73,117)
Contributions at Septem- ber 30, 1997 . . . . .	<u>\$1,392,091</u>	<u>\$80,313</u>	<u>\$53,741</u>	<u>\$390,934</u>	<u>\$905,921</u>	<u>\$306,377</u>	<u>\$2,161</u>	<u>\$7,120</u>	<u>\$18,091</u>	<u>\$3,156,749</u>

**Note 5 - Fixed Assets**

Changes in fixed assets of the County for the fiscal year ended September 30, 1997 are as follows (in thousands):

DESCRIPTION	Balance October 1, 1996	Additions	Deletions	Balance September 30, 1997
General Fixed Assets:				
Land . . . . .	\$ 237,058	\$ 10,269		\$ 247,327
Building and building improvements . . . . .	1,129,190	21,169		1,150,359
Furniture, fixtures, machinery and equipment . . . . .	471,126	40,239	\$31,432	479,933
Construction in progress . . . . .	372,073	53,499	11,156	414,416
Total . . . . .	<u>\$2,209,447</u>	<u>\$125,176</u>	<u>\$42,588</u>	<u>\$2,292,035</u>
General Fixed Assets by Function:				
Policy formation and general government . . . . .	\$ 486,148	\$ 25,946	\$15,546	\$ 496,548
Protection of people and property . . . . .	574,696	46,490	18,432	602,754
Mental and physical health . . . . .	56,705	5,267	469	61,503
Transportation . . . . .	51,394	7,471	600	58,265
Socio-economic environment . . . . .	568,909	25,990	2,274	592,625
Health . . . . .	155,507	362	1,539	154,330
Culture and recreation . . . . .	316,088	13,650	3,728	326,010
Total . . . . .	<u>\$2,209,447</u>	<u>\$125,176</u>	<u>\$42,588</u>	<u>\$2,292,035</u>
Enterprise Funds (as restated):				
Land . . . . .	\$ 445,737	\$ 39,228	\$ 113	\$ 484,852
Building and building improvements . . . . .	3,533,078	211,009	12,046	3,732,041
Utility plant and systems . . . . .	1,390,866	110,926	824	1,500,968
Roads, bridges and other improvements . . . . .	686,647	91,687	697	777,637
Furniture, fixtures, machinery and equipment . . . . .	1,796,523	195,251	20,675	1,971,099
Construction in progress . . . . .	1,030,632	578,312	590,080	1,018,864
Total . . . . .	<u>8,883,483</u>	<u>1,226,413</u>	<u>624,435</u>	<u>9,485,461</u>
Less: Accumulated Depreciation . . . . .	<u>(2,224,938)</u>	<u>(254,219)</u>	<u>(23,294)</u>	<u>(2,455,863)</u>
Total . . . . .	<u>\$ 6,658,545</u>	<u>\$ 972,194</u>	<u>\$601,141</u>	<u>\$ 7,029,598</u>



Operating Leases

**Aviation** - The major portion of the Aviation Department's property, plant and equipment is held for lease. A substantial portion of the leases are cancelable and provide for periodic adjustment to rental rates to maximize operational flexibility. The noncancelable lease agreements also provide for periodic adjustments to the rental rates. In addition, the Aviation Department leases certain properties under management and concession agreements. Certain of these leases provide for minimum rentals plus a specified percentage of the tenants' gross revenues. All leases are classified as operating leases.

At September 30, 1997, minimum rentals under such lease agreements are as follows (in thousands):

Year Ending September 30,	
1998	\$ 40,237
1999	37,405
2000	32,862
2001	21,357
2002	9,594
Total	<u>\$141,455</u>

**Transit Agency** - During fiscal year 1997, the County entered into three lease-in/lease-out arrangements (the "agreements") with the Bank of New York Leasing Corporation for a total of 134 commuter rail cars. The agreements provide for the lease of the equipment owned by the County to a financial party lessee and the sublease of such equipment

back to the County for a period ranging from 22 to 24 years commencing May 1997. At the time of the transaction, the County received from the financial party lessee the total minimum rental payments required under the leases of approximately \$95 million. The minimum rental payments received are amortized on a straight-line basis over the life of the lease terms.

The County deposited \$70,350,000 with a financial institution sufficient to meet all of its payment obligations under the term of the subleases and acquired \$17,583,000 in United States Treasury Strips which would mature to an amount sufficient to satisfy each agreement's purchase of the Head Lease Rights option. The funds on deposit and the United States Treasury Strips have been included as restricted assets in the accompanying financial statements.

The subleases have been accounted for as non-cancelable operating leases. Future minimum lease payments which are amortized on a straight-line basis, over the lease terms are as follows (in thousands):

Year Ending September 30,	
1998	\$ 13,796
1999	15,418
2000	14,574
2001	14,574
2002	9,661
Thereafter	<u>107,968</u>
Total	<u>\$175,991</u>

**Note 6 - Segment Information for Enterprise Funds**

The County maintains nine Enterprise Funds which provide bus and rail transportation, waste collection and disposal, sea-port, airport, water and sewer, hospital, causeway, cultural services and housing. It is the intention of the County to maintain adequate rate structures or provide subsidies to sustain the future operations of its Enterprise Funds.

Separate financial statements are issued for each enterprise fund, and may be obtained from the County's finance department or the individual component units (addresses following the statistical section).

Segment information for the year ended September 30, 1997 is as follows (in thousands):

	Transit Agency	Solid Waste Management	Seaport	Aviation Department	Water and Sewer	Public Health Trust	Rickenbacker Causeway	Vizcaya Art Museum	Housing Agency Public Housing Division	Total Enterprise Funds
Operating Revenues . . .	\$ 77,980	\$170,032	\$ 60,630	\$434,299	\$382,605	\$616,508	\$5,070	\$ 2,495	\$ 3,341	\$1,752,960
Depreciation Expense . .	50,029	18,342	10,016	83,757	65,495	24,500	601	5	1,058	253,803
Operating Income (Loss)	(204,125)	(7,718)	16,664	4,736	82,989	(155,796)	1,617	488	(2,012)	(263,157)
Intergovernmental										
Subsidies . . . . .	32,947	3,473			697				4,076	41,193
Operating Transfers In . .	102,149					190,751		100		293,000
Operating Transfers Out .		1,336			18,319					19,655
Net Income (Loss) . . . .	(63,928)	(7,867)	(4,163)	(32,952)	51,470	56,435	1,387	660	1,268	2,310
Current Capital										
Contributions . . . . .	42,147		1,673	35,659	47,448	23,113				150,040
Fixed Asset Additions . .	50,234	10,908	70,568	547,323	497,393	47,979	1,364		644	1,226,413
Fixed Asset Deletions . .	14,699	5,412	57,051	311,856	226,693	8,528	196			624,435
Property and Equipment,										
Net . . . . .	1,340,294	254,280	411,611	2,086,871	2,581,770	289,464	24,911	8,651	31,746	7,029,598
Total Assets . . . . .	1,481,632	363,346	482,476	2,422,966	3,548,386	942,853	33,201	10,370	41,149	9,326,379
Net Working Capital										
(Deficiency) . . . . .	(13,434)	40,931	7,813	16,200	108,579	173,825	(2,712)	1,329	(3,706)	328,825
Bonds, Loans and Notes										
Payable, net from										
Operating Revenues . .		154,449	356,749	1,463,627	1,650,631	212,045	8,625		13,413	3,859,539
Total Fund Equity . . . .	\$1,302,131	\$ 38,360	\$ 43,487	\$ 679,928	\$1,746,401	\$477,495	\$21,135	\$ 9,980	\$22,527	\$4,341,444

**Note 7 - Self-Insurance Program**

The County's Risk Management Division administers property, workers' compensation and liability self-insurance programs. The group health and life insurance programs are also self-insured, subject to certain stop-loss provisions. The programs are administered by an independent administrator.

The property self-insurance program covers the first \$1 million per occurrence of property losses for most perils. Insurance coverage is maintained with independent carriers for property losses in excess of self-insured retentions up to \$5 billion countywide. Windstorm coverage is limited to \$250 million countywide with a 2% deductible (minimum \$5 million and maximum \$50 million) per location overall, during fiscal year 1997, there were no significant changes in insurance coverages. Settlements did not exceed coverage for any of the past three years.

The County maintains no excess coverage with independent insurance carriers for the workers' compensation and general liability self-insurance programs. Premiums are charged to the

respective funds and determined based on amounts necessary to provide funding for current losses and to meet the required annual payments during the fiscal year.

The Risk Management Division also administers the self-insurance program for the Enterprise Funds. The Water and Sewer Department and Public Health Trust only participate in the workers' compensation self-insurance program. They maintain their own self-insurance programs for automobile, general, and professional liability.

The Aviation Department also pays premiums to commercial insurance carriers for airport liability insurance, construction wrap-up insurance and property insurance. The airport liability coverage provides comprehensive general liability, contractual liability, personal injury and on-site automobile liability at all airports. The Aviation department also has a recorded liability of \$1,189,000 for estimated claims payable not covered by the policies due to self-insured retention limits.

The estimated liability for reported and unreported insurance claims of the self-insurance programs administered by the Risk Management Division (the "Division") is determined annually based on the estimated ultimate cost of settling claims, using past experience adjusted for current trends, and any other factors that would modify past experience. Outstanding claims are evaluated through a combination of case-by-case reviews and the application of historical experience. The estimate of

incurred but not reported (IBNR) losses is based on historical experience and is determined by an independent actuary.

At September 30, 1997, the total estimated liability for insurance claims is \$45,323,000 for all reported claims and \$73,005,000 for claims incurred but not reported net of discount of \$33,000,000 computed based on a projected interest rate of 5.0%.

Changes in the Internal Service Fund estimated liability amount for fiscal years 1996 and 1997 is as follows (in thousands):

	Workers Compensation	General Liability	Auto Liability	Group Health	Police Liability	Other	Total
Balance at October 1, 1995 . . . . .	\$ 56,391	\$ 34,106	\$ 15,523	\$ 17,649	\$ 7,983	\$ 1,472	\$ 133,124
Claims paid . . . . .	(22,290)	(10,251)	(8,439)	(61,677)	(532)	(5,388)	(108,577)
Claims and changes in estimates . . . . .	44,690	(9,069)	1,844	52,828	(2,298)	5,786	93,781
Liabilities as of September 30, 1996 . . . . .	<u>\$ 78,791</u>	<u>\$ 14,786</u>	<u>\$ 8,928</u>	<u>\$ 8,800</u>	<u>\$ 5,153</u>	<u>\$ 1,870</u>	<u>\$ 118,328</u>
Balance at October 1, 1996 . . . . .	\$ 78,791	\$ 14,786	\$ 8,928	\$ 8,800	\$ 5,153	\$ 1,870	\$ 118,328
Claims paid . . . . .	(20,426)	(3,516)	(4,907)	(59,145)	(1,503)	(7,028)	(96,525)
Claims and changes in estimates . . . . .	20,426	3,516	4,907	59,145	1,503	7,028	96,525
Liabilities as of September 30, 1997 . . . . .	<u>\$ 78,791</u>	<u>\$ 14,786</u>	<u>\$ 8,928</u>	<u>\$ 8,800</u>	<u>\$ 5,153</u>	<u>\$ 1,870</u>	<u>\$ 118,328</u>

Changes in the estimated liability for the Water and Sewer Department and Public Health Trust for fiscal years 1996 and 1997 is as follows (in thousands):

	Water and Sewer Department	Public Health Trust	Total
Balance at October 1, 1995 . . . . .	\$22,583	\$32,773	\$55,356
Claims paid . . . . .	(4,963)	(9,436)	(14,399)
Claims and changes in estimates . . . . .	4,124	9,824	13,948
Liabilities as of September 30, 1996 . . . . .	<u>\$21,744</u>	<u>\$33,161</u>	<u>\$54,905</u>
Balance at October 1, 1996 . . . . .	\$21,744	\$33,161	\$54,905
Claims paid . . . . .	(1,026)	(5,135)	(6,161)
Claims and changes in estimates . . . . .	4,047	9,604	13,651
Liabilities as of September 30, 1997 . . . . .	<u>\$24,765</u>	<u>\$37,630</u>	<u>\$62,395</u>

## Note 8 - Long-Term Debt

### General Long-Term Obligations

General long-term obligations of the County include general and special obligation bonds, installment purchase contracts and loan agreements that are payable from property tax levies and specific revenue sources. These long-term obligations, which currently bear interest at rates ranging from 3.5% to 11%, represent obligations of the County as a whole and not of its individual constituent funds.

As of September 30, 1997, the County has \$36,080,000 of special obligation bonds that are due within 7 days of demand by the holder at a price equal to principal plus accrued interest. The County's remarketing agent is authorized to use its best efforts to sell the repurchased bonds at par by adjusting the interest rate.

Under standby bond purchase agreements (the "Agreements") issued by a bank, the fiscal agent can draw amounts sufficient to repurchase the bonds if they cannot be resold by

the remarketing agent. In the absence of monies available under the Agreements, the monies will be drawn under irrevocable letters of credit. The Agreements and letters of credit expire on December 1, 1999, October 12, 1999 and November 1, 1999 for the Equipment Bonds Series 1987A, Equipment Bonds Series 1988A, and the Capital Asset Acquisition Bonds Series 1990, respectively. There were no amounts outstanding under the Agreements or letters of credit as of September 30, 1997.

The County is required to pay an annual commitment and remarketing fee based on a percentage of the outstanding principal amount of the bonds. This fee totaled \$198,620 for the 1997 fiscal year.

A summary of debt service requirements to maturity of general and special obligation bonds and loan agreements is as follows (in thousands):

Maturing in Fiscal Year	General Obligation Bonds			Special Obligation Bonds			Loan Agreements			Housing Agency Public Housing Division		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
1998	\$ 43,210	\$ 26,771	\$ 69,981	\$ 46,429	\$ 20,903	\$ 67,332	\$323	\$9	\$332	\$ 17,053	\$ 10,003	\$ 27,056
1999	40,940	23,598	64,538	49,218	19,072	68,290				4,565	4,255	8,820
2000	37,985	20,473	58,458	45,323	17,266	62,589				4,545	4,081	8,626
2001	40,970	17,443	58,413	46,679	15,537	62,216				4,739	3,945	8,684
2002	40,235	14,129	54,364	43,509	13,900	57,409				4,901	3,777	8,678
2003-2007	69,330	39,887	109,217	165,683	49,876	215,559				26,066	15,964	42,030
2008-2012	31,770	21,931	53,701	151,243	44,144	195,387				27,537	11,063	38,600
2013-2017	39,391	10,237	49,628	163,137	32,851	195,988				22,194	6,679	28,873
2018-2022	7,950	628	8,578	123,504	22,243	145,747				9,747	4,068	13,815
2023-2027				132,922	9,500	142,422				4,040	1,794	5,834
2028-2032				145,250	16,868	162,118						
2033-2037				92,869	33,767	126,636						
Less:												
Unaccrued												
Value				(514,345)		(514,345)						
Total	\$351,781	\$175,097	\$526,878	\$ 691,421	\$ 295,927	\$ 987,348	\$323	\$9	\$332	\$125,387	\$65,629	\$191,016

# MIAMI-DADE COUNTY

Changes in outstanding long-term obligations are summarized as follows (in thousands):

	General Obligation Bonds	Special Obligation Bonds	Loan Agree- ments	Housing Agency Public Housing Division
Outstanding October 1, 1996 . . .	\$390,976	\$ 694,917	\$ 725	\$135,383
Principal retired . . . .	(39,195)	(22,297)	(402)	(2,996)
Accretion . . .		18,614		
Other . . . . .		187		(7,000)
Outstanding September 30, 1997 . .	<u>\$351,781</u>	<u>\$ 691,421</u>	<u>\$ 323</u>	<u>\$125,387</u>

Changes in other general long-term obligations include the following (in thousands):

	Balance October 1, 1996	Additions	Deletions	Balance September 30, 1997
Accrued vacation and sick pay benefits . . . .	\$165,772	\$ 94,924	(\$74,858)	\$185,838
Accrued health insurance benefits . . . . .	20,386	3,108	(3,675)	19,819
Arbitrage liability . . . . .	535	634		1,169
Legal contingencies . .		6,579		6,579
Total . . . . .	<u>\$186,693</u>	<u>\$105,245</u>	<u>(\$78,533)</u>	<u>\$213,405</u>

## *Revenue Bonds and Other Debt*

The County's revenue bonds and loans are payable from specified revenues of various Enterprise and Internal Service Funds. The County is required to maintain and adjust its rate schedules and fees such that revenues will be sufficient to fund debt service requirements when due and maintain debt service reserves as specified in the debt agreements.

Maturities and changes in outstanding debt are as follows (in thousands):

Maturing in Fiscal Year	Bonds		Loans	
	Principal	Interest	Principal	Interest
1998 . . . .	\$ 80,252	\$ 208,312	\$ 56,168	\$ 10,890
1999 . . . .	89,915	201,644	6,662	8,675
2000 . . . .	99,361	197,183	52,680	8,358
2001 . . . .	103,772	191,879	10,458	8,057
2002 . . . .	109,523	186,235	10,746	7,776
2003-2007 .	646,041	834,276	58,435	33,893
2008-2012 .	550,684	647,933	66,711	23,881
2013-2017 .	566,098	504,836	30,473	8,498
2018-2022 .	715,185	326,957	15,906	4,913
2023-2027 .	745,318	110,919		
	<u>\$3,706,149</u>	<u>\$3,410,174</u>	<u>\$308,239</u>	<u>\$114,941</u>
Less:				
Unamortized Discount & Deferred Amt.	(115,151)			
Premium	1,502			
Total	<u>\$3,592,500</u>	<u>\$3,410,174</u>	<u>\$308,239</u>	<u>\$114,941</u>

## Changes During the

Fiscal Year	Bonds	Loans
Outstanding October 1, 1996 .	\$3,310,607	\$288,509
New issues . . . . .	706,400	67,777
Defeased . . . . .	(237,333)	(43,230)
Retired . . . . .	(74,352)	(4,660)
Other . . . . .	827	(157)
Outstanding September 30, 1997 . . . . .	<u>\$3,706,149</u>	<u>\$308,239</u>
Range of interest rates	<u>1.0-12.0%</u>	<u>2.56-12.0%</u>

In connection with the Series 1993 Refunding Bonds, the Water and Sewer Department has entered into two interest rate swap agreements, as well as a reverse swap, in which the interest owed to the counterparties of the swaps is calculated at a variable rate, while the amount owed from the counterparties is based on a fixed rate.

# MIAMI-DADE COUNTY

In connection with the Series 1993 Refunding Bonds, the Water and Sewer Department has entered into two interest rate swap agreements, as well as a reverse swap, in which the interest owed to the counterparties of the swaps is calculated at a variable rate, while the amount owed from the counterparties is based on a fixed rate.

The Water and Sewer Department has also entered into an interest rate swap agreement in connection to the Series 1994 Revenue Bonds for the outstanding period of the Bonds. The Aviation Department has entered into an interest rate swap agreement in connection with the Series V Revenue Bonds for the outstanding period of the bonds.

If the counterparties to the swaps default, or if the swaps are terminated, the departments will be exposed to the rates established in each bond issue. A termination of any swap agreement may result in the departments making or receiving a termination payment. The counterparties to the interest rate swap agreements are large international brokerage and insurance firms and, accordingly, the County believes there is little risk of counterparty nonperformance.

In August 1997, the County received \$17,945,000 by remarketing four series of its callable general obligation bonds. The bonds were purchased at a required redemption price and remarketed on the secondary market as non-callable bonds. The proceeds received have been recorded as other financing sources in the Capital Projects Funds.

## Net Revenues and Pledged Revenues Rate Covenant

The 1985A Bonds, the 1986 Bonds and the Series J Bonds requires the Solid Waste Department (the "Department") to establish rates and charges sufficient to meet certain Net Revenues and Pledged Revenues rate covenants as defined in the Trust Indentures and Loan Agreement. The rate covenants require that Net Revenue and Pledged Revenue be at least 100% and 133% respectively, of the aggregate debt service requirements.

## Long-Term Obligations

The table below describes bonds and loans that were issued during the year (in thousands):

Date Issued	Description	Purpose	Interest Rate Range	Final Maturity Date	Amount Issued
<u>Bonds:</u>					
11/27/96	Seaport Revenue Bonds, Series 1996	To finance capital improvements to certain passenger terminal facilities.	4.0% - 5.5%	2026	\$29,270
01/30/97	Water and Sewer Revenue Bonds, Series 1997	To finance capital improvements to the water and wastewater systems.	4.50% - 6.25%	2026	437,195
<u>Loans:</u>					
09/25/97	Bond Anticipation Notes, Series 1997	To finance capital improvements to solid waste facilities and landfill closure.	4.75%	1998	\$50,000
09/30/97	State Revolving Fund	To finance construction of wastewater treatment facilities.	2.56% - 4.17%	2015	17,777

The following table summarizes refunding debt issued during the year (in thousands):

Date Issued	Description	Amount Issued	Amount Defeased	Deferred Charge	Cash Flow Difference	Economic Gain
<u>Bonds:</u>						
01/07/97	Dade County Solid Waste System Revenue Refunding Bonds, Series 1996	\$109,550	\$154,308	\$7,100	\$13,300	\$8,100
07/08/97	Aviation Revenue Refunding Bonds, Series 1997A	130,385	126,255	7,676	872	5,835

**MIAMI-DADE COUNTY**

**Defeased Debt:**

The County defeased certain debt as listed in the table below (in thousands), by placing the proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the defeased debt. Such proceeds are invested in direct obligations of the US. Government and, in the opinion

of the County and its Bond Counsel, will provide for all future debt service payments on the defeased debt. Accordingly, the trust account's assets and the liability for the defeased debt are not included in the accompanying financial statements.

Type	Series	Date of Defeasance	Call Date	Final Maturity Defeased	Principal Amount Defeased	Principal Outstanding September 30, 1997
<b><u>Special Obligation Bonds:</u></b>						
Guaranteed Entitlement	A	12/27/85	02/01/08	02/01/08	\$ 65,000	\$ 37,730
“ ”	B& D	12/27/85	02/01/97	08/01/08	107,140	Redeemed
“ ”	1985	06/06/95	02/01/98	02/01/03	49,137	57,507
“ ”	1990	06/06/95	02/01/06	08/01/14	49,749	58,348
Sales Tax	1986	06/13/96	10/01/96	10/01/02	64,515	Redeemed
Special Obligation and Refunding	1986	08/14/96	10/01/96	10/01/03	60,330	Redeemed
Total Special Obligation Bonds Defeased . . . . .					<u>\$395,871</u>	<u>\$153,585</u>
<b><u>Revenue Bonds and Loans:</u></b>						
Aviation Department	C	08/15/85	10/01/97	10/01/07	\$ 35,705	\$ 21,111
“ ”	R	07/23/96	10/01/96	10/01/02	50,570	Redeemed
“ ”	S	07/08/97	10/01/97	10/01/04	79,950	79,950
“ ”	T	07/08/97	10/01/97	10/01/05	46,305	46,305
Solid Waste	1985A	01/07/97	10/01/00	10/01/10	15,857	15,857
“ ”	1986	01/07/97	04/01/97	10/01/10	95,221	Redeemed
Solid Waste - State Pollution	J	01/07/97	02/10/97	04/01/00	43,230	Redeemed
Rickenbacker Causeway	1983	08/29/85	10/01/08	10/01/08	5,225	5,225
Public Facilities	1979	07/13/83	10/01/99	10/01/99	8,450	2,220
“ ”	1988A	06/15/93	06/01/98	06/01/18	9,930	9,930
Seaport	B,F,G	08/01/78	12/01/01	10/01/02	10,205	3,420
“ ”	1978	10/25/88	10/01/97	10/01/00	6,955	2,615
“ ”	1979	10/25/88	04/01/04	10/01/09	17,265	13,230
“ ”	1988A	09/29/95	10/01/96	10/01/09	16,895	Redeemed
“ ”	1988B	09/29/95	10/01/96	10/01/09	13,260	Redeemed
“ ”	1990E	09/29/95	10/01/00	10/01/15	15,610	15,610
“ ”	1992	01/01/96	10/01/01	10/01/26	138,260	138,260
Water System	1992	12/23/93	06/01/02	06/01/04	36,245	25,970
Waterworks System	A	12/23/93	01/02/98	01/01/04	16,030	11,345
“ ”	1987	12/23/93	01/01/97	01/01/01	15,475	8,750
Pollution Control	X	12/23/93	07/01/01	07/01/12	43,700	37,900
“ ”	H	12/23/93	06/01/99	07/01/04	22,430	15,870
“ ”	V	12/23/93	07/01/98	07/01/10	73,750	63,500
“ ”	W	12/23/93	07/01/98	07/01/01	21,115	11,765
Total Revenue Bonds and Loans Defeased . . . . .					<u>\$837,638</u>	<u>\$528,833</u>

*Debt Authorized but Unissued*

As of September 30, 1997, the County has authorized but not issued the following:

- a) \$1,280,000 of general obligation bonds for general public improvements;
- b) \$25,655,000 of general obligation refunding bonds to advance refund all or portion of certain criminal justice general obligation bonds;
- c) \$705,000 Causeway Revenue Bonds;
- d) \$34,020,000 of Guaranteed Entitlement Refunding Revenue Bonds;
- e) \$247,500,000 of general obligation bonds for capital improvements for County airports to be paid by Aviation net revenues, if issued;
- f) \$35,700,000 Equipment Floating/Fixed Rate Special Obligation Bonds;
- g) \$87,235,000 Public Facilities Revenue Bonds (Jackson Memorial Hospital) Series 1993 to refund all or a portion of certain indebtedness of the Public Health Trust and portion of the cost of various new construction and improvements at Jackson Memorial Hospital;
- h) \$5,110,000 of special obligation bonds for court and judicial facilities;
- i) \$17,895,000 special obligation bonds for Miami-Dade Fire and Rescue District (District) to be used for the capital facilities in the District;
- j) \$8,026,000 Professional Sports Franchise Facilities Tax Revenue Bonds;
- k) \$620,000,000 Aviation Revenue Bonds for improvements to airport facilities (the "1995 Authorization");
- l) \$2,445,000,000 Aviation Revenue Bonds for improvements to airport facilities (the "1996 Authorization");
- m) \$730,000 Seaport Revenue Bonds to pay the cost of capital improvements to certain Seaport Department passenger terminal facilities;
- n) \$15,805,000 Water and Sewer System Revenue Bonds to finance the cost of capital improvements to the water and sewer systems of the County;
- o) \$50,000,000 Solid Waste System Bond Anticipation Notes to pay the costs of improvements to, and new capital project for, the Solid Waste System of the County;
- p) \$150,000,000 Solid Waste System Revenue Bonds to pay the outstanding Solid Waste System Bond Anticipation Notes and any additional improvements to, and new capital project for, the Solid Waste System of the County;
- q) \$200,000,000 General Obligation Bonds to provide funds for parks programs for regional parks, beaches, unincorporated areas and grants to municipalities;
- r) \$40,450,000 Solid Waste Refunding Bonds to be used to refund all of the 1978 State Loan and the County's Solid Waste System outstanding Series 1985 and 1986 Bonds;
- s) \$4,615,000 Aviation Refunding Bonds to refund all outstanding Aviation Revenue Bonds, Series S and T; and
- t) \$46,500,000 Florida Port Financing Commission loan to finance marine structures, cargo and cruise terminals.

***Note 9 - Defined Benefit Pension Plan***

The County participates in the Florida Retirement System (the "System"), a cost-sharing, multiple-employer, public employee retirement plan, which covers substantially all of the full time and part-time employees. The System was created in 1970 by consolidating several employee retirement systems. All eligible employees as defined by the State who were hired after 1970, and those employed prior to 1970 who elect to be enrolled, are covered by the System. Benefits under the plan vest after ten years of service. Employees who retire at or after age 62, with ten years of credited service, are entitled to an annual retirement benefit, payable monthly for life. The System also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by State statute.

During fiscal year 1997, the County adopted GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* (GASB No. 27). Pursuant to GASB No. 27, employers that participate in multi-employer defined benefit plans are required to measure and disclose an amount for annual pension costs on the accrual basis of accounting. There is no effect on the accompanying financial statements as a result of the adoption of GASB Statement No. 27.

Pension costs for the County as required and defined by State statute ranged between 12.6% to 28% of gross salaries for fiscal year 1997. For the fiscal years ended September 30, 1997, 1996 and 1995, the County contributed 100% of the required contributions. These contributions aggregated \$248 million, \$241 million, and \$234 million, respectively, which represents 19.4%, 19.5% and 19.5% of covered payroll, respectively, and 8.0% of the total contributions required of all participating agencies for fiscal years 1997, 1996 and 1995.

A copy of the System's June 30, 1997 annual report can be obtained by writing to the Division of Retirement, Cedars Executive Center, 2639-C North Monroe Street, Tallahassee, FL 32399-1560 or by calling (850) 488-5706.

***Note 10 - Enterprise Funds Restricted Assets and Reserves***

Restricted assets and reserves of the Enterprise Funds at September 30, 1997, represent bond proceeds designated for construction and restricted for debt service, maintenance and improvements under the terms of outstanding bond agree-



## MIAMI-DADE COUNTY

ments. Restricted assets also include those assets restricted by donors for specific purposes within the Public Health Trust.

Assets restricted for debt service are for the payment of bond principal and interest. Assets restricted for reserve maintenance are for the payment of unusual or extraordinary maintenance or repairs of Enterprise Fund properties. Construction fund assets are restricted for capital projects. General reserve assets may be applied to make up deficiencies in the aforementioned funds or used in general operations if there are insufficient non-restricted assets to meet operating expenses.

At September 30, 1997, assets were restricted for the following purposes (in thousands):

Debt service . . . . .	\$ 320,214
Reserve maintenance . . . . .	109,068
Improvement and construction . . . . .	685,993
General reserve . . . . .	217,519
Donor restricted assets . . . . .	163,044
Capital grants receivable and construction advances . . . . .	7,764
Total . . . . .	<u>\$1,503,602</u>

For certain assets resulting from operating revenue restricted under bond agreements, ordinances, and other contractual agreements, a reserve is established by charging retained earnings (deficit) in an amount equal to the restricted assets less any related liabilities. When the restricted assets are expended, the reserves are restored to retained earnings (deficit).

The following is a summary of reserves at September 30, 1997 (in thousands):

Debt service . . . . .	\$ 75,313
Reserve maintenance . . . . .	100,834
General reserve . . . . .	166,777
Total . . . . .	<u>\$342,924</u>

### ***Note 11 - Contingencies and Commitments***

#### ***Environmental Matters***

The Aviation Department has entered into a consent agreement (the "Agreement") with the Department of Environmental Resources Management ("DERM") under which the Aviation Department agreed to correct a number of environmental violations as a result of the failure by various Aviation Department tenants to comply with their environmental obligations at Miami International Airport including those facilities previously occupied by Eastern and Pan Am. The Aviation Department had an independent engineering firm perform a preliminary study to estimate the cost to correct the violations noted in the Agreement. An updated study in 1997 estimated the cost to correct the damage to be a range from \$120,000,000 to \$256,000,000. The wide range of cost estimates for cleanup is due largely to uncertainties as to the nature and extent of the

environmental damages and the methods which must be employed for their remediation. It is the Aviation Department management's representation that no specific amount in the range represents a better estimate of the ultimate liability. As a result, the Aviation Department has recorded an estimated liability of \$120,000,000 at September 30, 1997. The estimated liability will be funded by the Aviation Department through future capital funding plans and as budgeted operations and maintenance expenses over the next 18 years.

In addition to the environmental violations which require correction pursuant to the consent agreement, a portion of the land at Miami International Airport was a former military base that was originally included on the National Priorities List. The Aviation Department was named as a Potentially Responsible Party ("PRP") along with the Department of Defense and the company who operated the military base on behalf of the Department of Defense. The Department of Defense has undertaken an investigation to determine the existence of other PRP's. Applicable federal law imposes joint and several liability on each PRP for the cleanup of such sites and as a result, the Aviation Department may be responsible for remediation costs attributable to other PRP's who are unable to pay their share of remediation cost. The Aviation Department cannot estimate at this time its share of the total cost of remediation due to a number of uncertainties including, but not limited to, the method and extent of remediation, the percentage of remediation costs attributable to the Aviation Department, and the financial capabilities of other identified PRP's. Preliminary estimates of the total remediation costs of this site are in excess of \$125 million. Because of the uncertainties associated with remediation activities for this former military site, the Aviation Department has not recorded any provision for remediation activities related to this site in the accompanying financial statements since the amount of its liability cannot be determined at this time.

In addition to the remediation activities described above, the Aviation Department will also incur remediation costs to meet clean soil requirements as a result of future development. Such amounts are not considered an expense until such time that the future development is committed to by the Aviation Department. It is estimated that these remediation activities will be in excess of \$48 million over the next 12 years. The Aviation Department has recorded a liability of \$48 million to remediate the soil; the liability is included in the \$120 million liability discussed above.

The liability recorded by the Aviation Department does not include sites at Miami International Airport for which remediation is the responsibility of the Miami International Airport tenants. DERM is dealing directly with the responsible tenants in connection with the remediation activities. In addition, the liability recorded by the Aviation Department does not include an estimate of any environmental violations at the four general aviation airports or at the Training and Transition Airport. In addition, the Aviation Department caused studies to be performed to determine the amount required to remove or other-

wise contain the asbestos in certain buildings occupied by Eastern and Pan Am. The studies estimated the cost to correct such damage to be approximately \$7 million. This amount does not represent a liability of the Aviation Department until such time as a decision is made by the Aviation Department's management to make certain modifications to the buildings which would require the Aviation Department to correct such matters.

The County is negotiating a Consent Order with the State of Florida Department of Environmental Protection ("FDEP"). Under the proposed terms, the FDEP Consent Order would subsume the DERM Consent Agreement and may increase the number of sites to be remediated. To the maximum extent permitted, Risk Based Corrective Action ("RBCA") will be used.

The County expects to approve the FDEP Consent Order during fiscal year 1998. After the FDEP Consent Order is executed, the Aviation Department will have an independent engineering firm update the cost estimate of remediation under the FDEP Consent Order. Management is unable to estimate the effect of the FDEP Consent Order or the use of RBCA on the estimated remediation costs until the FDEP Consent Order is executed and the engineering firm completes its cost estimates; however, management is reasonably certain that there will likely be a cost reduction on the recorded liability. Accordingly, no adjustments have been made to the liabilities recorded as of September 30, 1997 as a result of the proposed FDEP Consent Order.

The County, on behalf of the Water and Sewer Department, has entered into two settlement agreements with the Florida Department of Environmental Protection (FDEP) and one consent decree with the U.S. Environmental Protection Agency (EPA) whereby the Department will accelerate its improvement program of the wastewater system, subject to a schedule of stipulated penalties if certain established completion dates are not met. A second and final consent decree was entered into in 1995. Very limited restrictions on new sewer construction may occur in certain areas of the County until adequate capacity becomes available in the wastewater system.

The County is also currently engaged in negotiations with those agencies to avoid possible legal action resulting from alleged violations of federal and state law regarding underground treated sewage injection wells and effluent discharges at a Department wastewater treatment plant. As part of a proposed settlement, the Department will conduct hydrogeological studies to determine the nature of the concerns and devise an appropriate solution if their outcome points to any need for remedial action. A final settlement with the FDEP and the EPA may result in the imposition of fines against the County.

#### Tonnage Guarantee

The County operates a resource recovery facility (the "Facility") capable of processing 936,000 tons per year and generat-

ing up to 50 megawatts of electricity, is operated under a 26 year operating and maintenance agreement (the "Agreement") with a private entity (the "Company"), which expires on October 31, 2013. Solid waste is delivered to the Facility from the Department's (the "Solid Waste") transfer stations and directly from municipal customers and private haulers. The garbage and trash are processed into refuse derived fuel and then burned in four boilers which produce steam to turn two turbine generators.

Payments made to the Company by the Department under the Agreement are based on certain delivery and processing guarantees as well as electric revenues from the sale of electricity generated by the plant and purchased under a power purchase agreement by Florida Power Corporation.

To finance ongoing plant enhancements, a future retrofit of the boilers to meet forthcoming Clean Air Act Standards, a recyclable trash improvements ("RTI") project to augment the County's recycling objectives and other additional improvements to the plant, the County issued on behalf of the Company the Dade County, Florida Adjustable Tender Solid Waste Industrial Development Revenue Bonds ("IDBs"), Series 1988, Series 1989 and Series 1990A. IDBs were redeemed with proceeds from the sale of \$182.7 million Dade County, Florida Resource Recovery Facility Refunding Revenue Bonds (the "Series 1996 Bonds"). The Series 1996 Bonds are limited obligations of the County, payable solely from and secured only by an irrevocable pledge of a lien on the Trust Estate created pursuant to the Trust Indenture. The principal balance of the bonds outstanding at September 30, 1997 is \$182.7 million. Bonds proceeds were loaned to the Company under the terms of the Loan Agreement, dated September 1, 1996, between the County and the Company requiring the Company to make payments to the County in such amounts and at such times as will provide sufficient funds to pay the principal and interest on the Series 1996 Bonds when due. The Loan Agreement between the County and the Company has been assigned to the Trust Estate. The County has not pledged any revenues or property (including the Facility) as security for the Series 1996 Bonds. The Series 1996 Bonds are conduit debt obligations and are, therefore, not reflected in the accompanying financial statements. Pursuant to the Agreement, the Company has assigned all tipping fees and other operating revenues due from the County directly to the Trustee in an amount which, at a minimum, will equal the debt service requirements on the Series 1996 Bonds.

Simultaneously with the issuance of the Series 1996 Bonds, the County entered into an interest rate swap agreement for purposes of converting the fixed interest payments on the Series 1996 Bonds into variable rate payments. Based on this agreement which is part of the Trust Estate, the Trustee pays amounts based on interest calculated at a variable rate to the counterparty to the swap, while the counterparty pays to the Trustee amounts based on interest at a fixed rate. The agreement by the counterparty to make payments to the County under the swap agreement does not affect the County's obliga-

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tion under the Trust Indenture to pay the principal of and interest on the Series 1996 Bonds. Should interest rates increase significantly, the County could be exposed to increased payment obligations through increased tipping fees.

On October 23, 1997, the County entered into a second swap agreement to take advantage of the interest rate savings between variable rate taxable and tax exempt rates. Based on this agreement the effect is the payment by the Trustee of amounts based on interest calculated at a fixed rate to the counterparty to the swap, while the counterparty pays to the Trustee amounts based on interest at a taxable variable rate; while, simultaneously the Trustee pays the amounts based on interest calculated at a variable tax exempt rate, and the counterparty pays to the Trustee amounts based on interest calculated at a fixed interest rate.

If the counterparty defaults or if the swap is terminated, the County will be exposed to the rates established in the Series 1996 Bonds. Termination may result in the Trustee making or receiving a termination payment.

The County and the Company have executed the Third Amended and Restated Operations and Maintenance Agreement (the "Amended Agreement"). As part of the refinancing of the IDB's, the County and the Company amended and restated the existing Agreement to reflect the refinancing as well as the effect of the ongoing projects.

Under the terms of the Amended Agreement, the County has guaranteed to deliver for processing at the Facility 936,000 tons per year of On-Site Waste. The County has guaranteed its On-Site Waste deliveries of not less than 702,000 tons per year. The County has also guaranteed to deliver at least 270,000 tons of recyclable trash to the Facility after such performance completion date. However, unless garbage is unavailable for delivery to the Facility because of circumstances beyond the County's control (including certain specified contractual obligations of the County to direct garbage for disposal at sites other than the Facility), the County will still guarantee On-Site Waste deliveries of not less than 936,000 tons per year after. If the County fails to deliver the guaranteed tonnage of On-Site Waste and recyclable trash, and the Company could have accepted for processing such tonnage, the County will pay the agreed tipping fees as if the County had in fact delivered the guaranteed tonnage.

The tipping fees as of September 30, 1997 of \$26.02 per ton waste processing other than tires and \$60.34 per ton for shredded tires are adjusted annually for the consumer price index. The tipping fee for RTI processed tons was \$23.15 per ton. Fuel and other by products not returned to the County facilities from the RTI received a credit of \$1.40 per ton as a recycle credit fee. In addition, the County also paid a Capital Improvements Project tipping fee of \$6.09 per ton in fiscal year 1997 and a Capital Expansion Project tipping fee of \$5.51 per ton during fiscal year 1997. As of September 30, 1997, the County was in compliance with the tonnage guarantees. In fiscal year 1997, the County paid \$35.7 million in tipping fees to the Company.

The County has agreed in the Amended Agreement to establish and collect disposal fees and other charges from the users of the system in an amount which is sufficient to meet the County's obligations under the Amended Agreement. In the event such receipts are insufficient, the County has covenanted that while the Series 1996 Bonds are outstanding, the County will appropriate in its annual budget to the extent permitted and in accordance with the budgetary procedures provided by the laws of the State of Florida, available non ad-valorem revenues of the County in an amount sufficient to meet the County's obligations to meet the tipping fees.

Termination provisions under the Amended Agreement include payment to the trustee of an amount equal to the Unamortized Capital Cost, or payment to the Trustee of the minimum tipping fee amounts due under Section 7.1.9 of the Amended Agreement, or replacement with a successor operator who will assume the Company's obligations under the Amended Agreement and Trust Indenture. The aggregate amounts of estimated minimum Tipping Fees, to be paid under the Amended Agreement are as follows for the fiscal years ended September 30 (in thousands):

Fiscal Year	Amount
1998 . . . . .	\$ 41,145
1999 . . . . .	44,835
2000 . . . . .	44,836
2001 . . . . .	44,349
2002 . . . . .	44,107
Thereafter . . . . .	407,184
Total . . . . .	<u>\$626,456</u>

During fiscal year 1997, the Company discontinued processing RTI due to the shut down of their contract cogeneration customer. Cessation of the RTI operation is not expected to have a significant economic impact on the Department. The Company is continuing to pursue alternative RTI customers.

The Department, as part of its Strategic Plan, has entered into waste disposal contracts with two private regional disposal facility providers, Waste Management of Florida, Inc. ("Waste Management") and Wheelabrator South Broward, Inc. ("Wheelabrator"). Under the terms of the Waste Management Agreement, the County must deliver, or direct to be delivered, a minimum of 100,000 tons per year to a landfill located in the City of Medley. The County may dispose of a combined total of up to 500,000 tons per year at that site or the Central Sanitary Landfill located in Pompano Beach. This contract is for 20 years with disposal fees fixed at \$24.50 per ton until October 1, 1998, at which time it will be adjusted annually for CPI increases. The Wheelabrator contract term is for one year with annual renewal options for six years and a mutual renewal option for an additional three years. Tipping fees are fixed at

\$26.50 per ton until October 1, 1998 with CPI increase thereafter. The County must deliver, on request, up to 100,000 tons per year. As of September 30, 1997, the County was in compliance with both contracts.

### Construction Commitments

Contracts and commitments relating to the completion of Metromover amounted to \$2,910,000 at September 30, 1997. Approximately 88% of the commitments will be funded from Federal and State sources.

As of September 30, 1997, Water and Sewer, Public Health Trust, and the Aviation Department Enterprise Funds had major construction commitments totaling \$101,300,000, \$181,733,000, and \$219,918,000, respectively.

The Reserve for Encumbrances at September 30, 1997, for the Capital Projects Funds reflects construction commitments entered into by the County. The following table sets forth these commitments by program classification (in thousands):

Street and Safety Improvements . . . . .	\$17,977
Recreational Facilities and Cultural Improvements . . . . .	2,089
Public Safety Facilities . . . . .	2,945
Judicial and Correctional Facilities . . . . .	16,533
General Governmental Facilities . . . . .	12,921
Other Facilities . . . . .	2,846
Total . . . . .	<u>\$55,311</u>

### Closure and Postclosure Care Costs

Estimated liabilities for closure and postclosure care costs are required to be recognized on a current value basis based on applicable federal, state, or local laws or regulations that have been approved as of the balance sheet date.

The Department of Solid Waste Management operates and maintains several active and inactive landfill cells in Dade County. State and federal laws and regulations require the Department to place final covers on the active landfill cells when closed and to perform certain maintenance and monitoring functions at the landfill cell sites for thirty years after closure. The Department recognizes a portion of these costs in each operating period based on the amount of waste received during the period. However, the majority of the closure and postclosure costs will be paid when the landfill cells are being closed or after they are closed. At September 30, 1997, the Department's liability for closure and postclosure care costs was \$66.7 million, of which \$4.6 million was recognized in fiscal years 1997.

In addition, the Department recognized a reduction in the liability for closure and postclosure care of approximately \$6.1 million at September 30, 1997. Reductions reflect revisions in the estimated costs to perform closure and postclosure care as

determined by the Department's engineers, acceptance by the Florida Department of Environmental Protection of a more efficient groundwater monitoring program and changes in capacity estimates resulting from landfill compactions. The Department's estimated total current cost of closure and postclosure care remaining to be recognized is approximately \$19.0 million.

The closure and postclosure care liability, as of September 30, 1997, represents the cumulative amount reported to date, based on the use of approximately 68.3% of the estimated capacity of the active landfills. The remaining estimated capacity of the active landfills as of September 30, 1997 is approximately 9.2 million tons. Based on current waste flows, this capacity will last until 2013.

All amounts recognized are based on the estimated cost to perform all closure and postclosure care at September 30, 1997. Actual costs may increase or decrease due to inflation or deflation, changes in technology or applicable laws and regulations. The amounts recognized have been estimated by Department engineers and are considered sufficient by management.

The County has acquired two inactive landfill sites (Old South Dade and Ojus Landfill) which, under agreements with various federal and state agencies, the County agreed to enhance the process used to close these landfills. As a result, in fiscal year 1997 the Department recorded \$22.0 million in liabilities for future closure and long term care costs. These amounts have been reduced by expenditures of \$2.0 million on during fiscal year 1997. The total liability for closure and postclosure care cost at September 30, 1997 was \$143,413 million.

The County is required by state laws and regulations to submit proof of its financial responsibility annually. At September 30, 1997, the County was in compliance with this requirement.

### Gantry Cranes Operating Agreement

The Seaport Department's gantry cranes are managed by a private company (the "Operating Company") under a Restated and Amended Operating Agreement (the "Agreement") dated November 1, 1988. The agreement provides that the Operating Company shall collect all crane user fees on behalf of the County, and remit to the County all fees collected, net of amounts retained by the Operating Company. The Seaport has received approximately \$3,900,000 (cumulative) from the Operating Company for user fees in excess of the amounts retained. In addition, the County believes the Operating Company has an obligation to repay the operating advances and unpaid ground lease rentals of approximately \$11,500,000 that carried forward from the previous agreement, plus accrued interest thereon. This obligation has not been reflected in the accompanying financial statements. Such balances accrue simple interest at an annual rate of 7.8% and are reduced by excess usage fees paid by the Operating Company. The Seaport has received approximately \$500,000 (cumulative) from the Oper-

ating Company for excess usage fees. The County believes that collection of any amounts owed by the Operating Company pursuant to this Agreement is doubtful due to the negative net worth of the Operating Company.

The County has been unable to obtain access to the books and records of the company which manages the operations of the Seaport's gantry cranes. Management's estimate of the revenues and expenses generated from the operations of the gantry cranes of \$8,000,000 and \$7,100,000, respectively, have been recorded as charges for services and contractual service expense, respectively, in the accompanying financial statements. These estimated revenues and expenses represent less than one percent of the total enterprise fund operating revenues and expenses. Management believes that any adjustments to revenues or expenses as a result of gaining access to the books and records will not be material in the accompanying financial statements.

However, if adjustments are needed that adversely affect the Seaport Department's operating results and rate covenant test (as defined in the bond ordinance), management will take all required actions to comply with the bond ordinance. Required actions include engaging consulting engineers to review the Seaport Department's present rates and fees. Management believes that adequate provisions have been made to the amounts recorded for the gantry crane operations to allow for audit adjustments, if any.

Certain activities of the Operating Company are currently the subject of review and investigation by local, state and federal authorities to determine whether user fees belonging to the County were spent by the Operating Company for improper or illegal purposes. In addition, a County investigation indicates that shipping companies may not have been billed or were underbilled for gantry crane service.

The County has filed a claim against the Operating Company for breach of contract, breach of fiduciary duty, civil theft, and declaratory relief, among others. The County believes it has a claim against the Operating Company for recovery of improper expenditures. The full amount has not been determined.

The County has concluded at this time that it is not possible to determine the amount, if any, that may be collectible from the Operating Company, if it is determined that amounts were spent improperly; therefore, no amounts have been recorded in the accompanying financial statements.

The Operating Company has filed a counterclaim against the County alleging that Seaport officials required them to pay for expenses that were not related to gantry crane activities; therefore, creating deficits that could have been used to reduce amounts owed to the Seaport. The outcome of these matters cannot presently be determined.

### Dredging Project

The Seaport Department has entered into a contract with a dredging company for the dredging of the Miami channel. The total cost of the project, including two approved change orders,

was approximately \$40.5 million. To date, the dredging company has billed the Seaport approximately \$29.3 million representing the alleged completion of approximately 70 percent of the project. The Seaport has made payments to the dredging company of approximately \$26.4 million (withholding \$2.9 million for retainage). Subsequent information indicated that the project was only approximately 50 percent complete, and that the dredging company had overbilled the Seaport by approximately \$9.9 million in total.

In January 1997, the dredging company filed for Chapter 11 bankruptcy protection. In accordance with County policy, the Seaport required the dredging company to obtain a payment and performance bond which would require the bonding company to fulfill the obligation of the dredging company in accordance with the original contract. As a result of the dredging company failing to complete the amount of work billed to the Seaport, the Seaport has recorded the amount of the overpayment as a construction advance, although such advance was not approved by the Commissioners. The construction advances are estimated to be approximately \$10 million. The dredging company has completed additional portions of the project at reduced billings to the Seaport, thereby reducing the estimated advance to approximately \$8.9 million. The Seaport is currently holding approximately \$2 million in retainage. The Seaport has recorded a loss reserve of approximately \$7 million.

### Building Lease Agreement

The Seaport has entered into an office building lease agreement (the "Agreement") with one of its cruise line customers (the "Lessee") to finance and construct an office building and related improvements (the "Building") at the Seaport. The Building is to be occupied and used by the Lessee. The Seaport would assume any financing, up to a maximum of \$16.65 million, entered into by the Lessee to finance the construction of the Building and would possess fee simple title to the Building. Under terms of the Agreement, the Lessee is to pay base rent of an amount per year equal to the amount per year of debt service payments on the financing assumed by the Seaport. The financing is subject to the approval of Dade County.

The construction of the Building has been completed; however, the Seaport and the Lessee are currently in dispute over certain terms and conditions of the Agreement. As a result, the Seaport has neither assumed any financing which may have been entered into by the Lessee to finance the construction of the Building nor possesses fee simple title to the Building. Until the Seaport obtains title to the building and assumes any debt and any other uncertainties regarding the contract are resolved, the Seaport does not plan to include such asset and related liability, if any, in its financial statements to reflect the effects of the items described herein.

### Other Commitments

The County has entered into an interlocal agreement with the City of Miami Beach regarding the use and disposition of the

two thirds (2/3) portion of the Convention Development Tax (the "Tax"). The Tax is imposed by the County, pursuant to Section 212.0305(4)(b) of the Florida Statutes, on the leasing or letting of transient rental accommodations. Prior to this agreement, the tax proceeds were collected by the County and remitted to the City of Miami Beach. However, the interlocal agreement calls for the proceeds to reside with the County and be used to pay for the debt service on the Dade County Special Obligation and Refunding Bonds (as disclosed in Note 8), Taxable Series 1996A and Series 1996B, totaling \$180,403,000. The Refunding Bonds will have first lien on the taxes collected. The proceeds from the tax will also be used to make an annual operational subsidy of \$1.5 million to the Miami Beach Convention Center Complex (the "Complex") through March 31, 2002. For the period commencing April 1, 2002 through March 31, 2026, the County agreed to make annual capital improvements of \$1.1 million to the Complex as well as subsidize actual operating deficits, the aggregate per year is not to exceed \$4.5 million and is payable solely from the proceeds available after the debt service payments are made.

The Social Security Administration ("SSA") contended that house staff of Jackson Memorial Hospital, are considered employees of the Public Health Trust and that their wages, therefore, should be subject to FICA taxation retroactive to January 1, 1980. The County, the State of Florida SSA and the Internal Revenue Service have signed an agreement to settle this matter. Pursuant to the agreement, the County made a lump sum payment of \$17,900,000 plus accrued interest of \$391,000. The County is also required to pay \$6,350,000 discounted at 5.5% which is approximately \$5,222,000 and is reflected in the accompanying financial statements.

### Legal Contingencies

The County in conjunction with eighty other parties are deemed potentially responsible for a highly contaminated site located in Broward County. The federal and state environmental agencies have not yet agreed upon the appropriate remedy required. However, based on various clean-up options under consideration, estimates for the ultimate clean-up of the site may range from \$15,000,000 to \$80,000,000 for all parties involved. The County has not recorded any provision for remediation activities related to this site in the accompanying financial statements since the County's portion of the liability cannot be determined at this time.

The County and State Attorney's Office are conducting investigations of all payments and outstanding invoices due to discrepancies detected for certain Water and Sewer paving contracts. These investigations are ongoing and the ultimate outcome of such investigations is uncertain at this time.

The County is a defendant to other legal proceedings which occur in the normal course of operations. In the opinion of the County Attorney, the ultimate resolution of these legal pro-

ceedings are not likely to have a material, adverse impact on the financial position of the County or the affected funds.

### Departure Incentive Program

The County offered a Departure Incentive Program ("Program") to employees with ten years of continuous service who are eligible for an unreduced Florida Retirement System benefit on or before January 31, 1996, and to employees who will complete 20 years or more of continuous service, regardless of age, on or before January 31, 1996. Employees would be required to separate from service on or before January 31, 1996. The Program offered single health insurance coverage in a Dade County approved group health plan or a \$300 a month cash payment for a minimum of eight years or until the employee becomes eligible for Medicare. A total of 928 employees have elected to participate in the program. The total estimated cost of the Program, discounted at 5%, is approximately \$19,819,000 and is recorded in the General Long-term Obligations Account Group. Payment of all accrued sick leave was made in fiscal year 1997 with three percent interest and other benefits. The cost of these benefits is also recorded in the General Long-term Obligations Account Group.

### Arbitrage Rebates

At September 30, 1997, the County recorded obligations to rebate arbitrage interest earnings on certain General Obligation and Special Obligation Refunding and Equipment Floating Bonds (the "Bonds") issued after the passage of the Tax Reform Act of 1986. The proceeds of the Bonds were used to refund existing debt and to finance certain capital projects and acquisitions accounted for within the Governmental and Proprietary Fund Types of the County.

The rebate to the Federal Government at September 30, 1997, required to be paid within five years from the date of issuance and each five years thereafter, is estimated to be approximately \$3,083,000. The arbitrage liability not expected to be paid with available financial resources is \$1,169,000 and is recorded in the General Long-term Obligations Account Group. The liability recorded by the Enterprise Funds at September 30, 1997 amounted to \$1,914,000. The ultimate amount of the County's obligation will be determined based on actual interest earned.

### Federal and State Grants

Federal grant awards are audited in accordance with OMB Circular A-133 to determine that the terms and conditions of the grant awards have been complied with. State of Florida grant awards are subject to audit by the respective Florida grantor agencies.

Florida Statute Section 216.349 specifies certain requirements for entities that receive state grant and aid appropriations. Among these requirements is that an audit must be performed in compliance with the rules of the Auditor General for grant and aid appropriations which exceed a specified amount. It is management's opinion that no material liabilities will result from any such audits.

**Note 12 - Hurricane Andrew**

The Federal Emergency Management Agency ("FEMA") continues to provide Federal disaster assistance through grants passed through the State of Florida Department of Community Affairs as well as other Federal and State agencies.

During the fiscal year ending September 30, 1997, the County expended \$7,551,000 in hurricane related costs, bringing the total hurricane related expenditures to date to \$430,082,000.

During the fiscal year ending September 30, 1997, FEMA had reimbursed the County \$14,143,000 to cover eligible hurricane related costs, bringing the total hurricane related receipts to date to \$326,725,000. Insurance proceeds totaled \$56,000 for fiscal year ending September 30, 1997 for a cumulative total of \$50,253,000, for hurricane related damage as reflected in the Hurricane Restoration -FEMA Special Revenue Fund. The amounts received from FEMA are subject to audit by the Office of the Inspector General. It is management's opinion that no material liabilities will result from the final audits.

**Note 13 - Subsequent Events**

FEMA implemented an expedited closeout process whereby a majority of the Damage Survey Reports ("DSR") were reviewed and finalized during the first quarter of fiscal year 1998. Approximately 6,300 DSR's were finalized and \$52 million were received as a result of this expedited process. There are approximately 300 DSR's outstanding.

In November 1997, the County issued \$50,000,000 General Obligation Bonds (the "Parks Program Bonds"). The Parks Program Bonds are the first Series of Bonds to be issued

pursuant to a voted authorization of \$200,000,000 General Obligation Bonds. Proceeds will be used to finance capital improvement and acquisition of neighborhood and regional parks, beaches, natural areas and recreational and heritage facilities.

In December 1997, the County issued the Series 1997 Bonds for \$298,540,673 comprised of Subordinate Special Obligation Refunding Bonds, Series 1997A, for \$86,570,856, Subordinate Special Obligation Bonds, Series 1997B, for \$170,008,377 and Subordinate Special Obligation Bonds, Series 1997C, for \$41,961,440. The Series 1997A Bond proceeds will be used to refund a certain portion of the outstanding Miami-Dade County, Florida Special Obligation and Refunding Bonds, Series 1996B and provide additional funds for the construction of the performing arts center facility to be located in downtown Miami (the "Downtown PAC"). Proceeds of the Series 1997B Bonds will be used to provide additional funds for the Downtown PAC, the design, engineering, acquisition and construction of certain cultural facilities located in the northern and southern parts of the County and the funding of improvements to various existing cultural facilities. Funds from the Series 1997C Bonds will be used to acquire the real property for a new multi-purpose professional sports facility and the construction of a related pedestrian bridge (collectively, the "Arena Project").

On October 1, 1997, the County issued \$136,830,000 of Series 1997B and \$63,170,000 of Series 1997C Aviation Revenue Bonds to provide funds for the construction of certain County Airport and Airport-related improvements. The Series 1997B and 1997C Aviation Revenue Bonds bear weighted average interest rates of 4.25% and 5.13%, respectively, due serially for Series 1997B on October 1, 2001 through 2022 and due on October 1, 2027 for Series 1997C.

MIAMI-DADE COUNTY

**Note 14 - Interfund Transfers and Balances**

	(in thousands)			
	Operating Transfers		Interfund	
	In	Out	Receivables	Payables
<b>General Fund</b>	\$ 99,291	\$ 267,992	\$ 126,233	\$ 1,882
<b>Special Revenue Funds</b>				
Fire and Rescue	5,817	2,517	961	
Health Development	8,177	112,827		27,521
Community and Social Development	42,382	46	2,100	9,349
Special Housing			18	
Housing Agency Public Housing Division			17,715	16,798
Stormwater Utility		10,000		
Hurricane Restoration	684	65		31,698
Other Special Revenue	28,127	25,823	3,782	
<b>Debt Service Funds</b>				
Other Special Obligations	40,790	1,381		
Loan Agreements	442			
<b>Capital Projects Funds</b>				
Bond Projects	466	11,940		
Impact Fees		1,267		2,794
Other Capital Projects	28,548	11,213		3,839
<b>Trust and Agency Funds</b>				
Trust Funds	70	8,738	3,795	1,900
Clerk of Circuit and County Courts			36	36
Other Agency			43	
<b>Internal Service Fund</b>				
Self Insurance		74,330	12,926	
<b>Enterprise Funds</b>				
Transit Agency	102,149			52,861
Solid Waste Management		1,336	2,794	1,870
Seaport				42,588
Aviation Department				2,606
Water and Sewer		18,319	4,229	1,166
Public Health Trust	190,751		27,521	2,229
Vizcaya Art Museum	100			
Housing Agency Public Housing Division			785	3,801
<b>TOTALS</b>	<b>\$ 547,794</b>	<b>\$ 547,794</b>	<b>\$ 202,938</b>	<b>\$ 202,938</b>